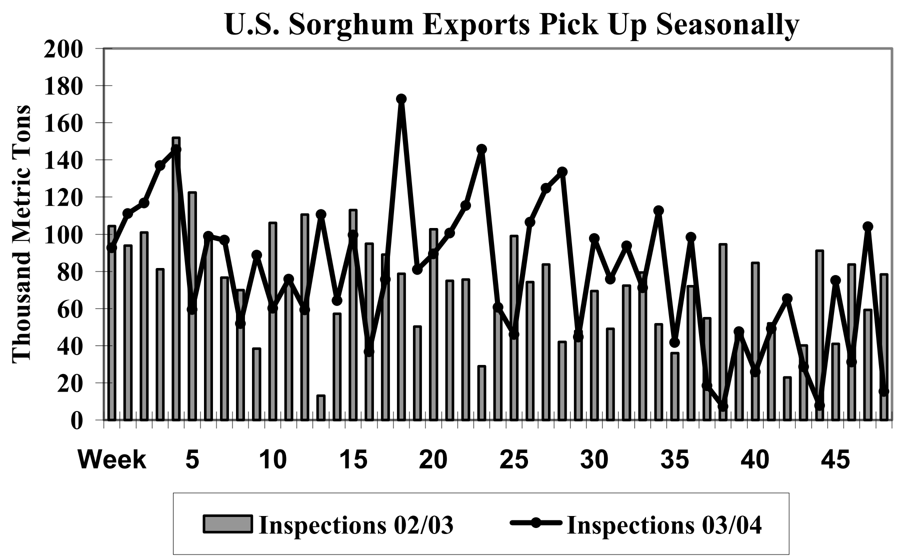
COARSE GRAINS: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

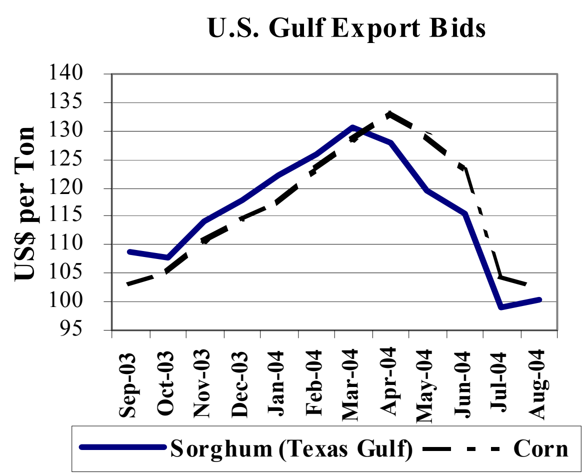
Corn: Although U.S. exports have recovered somewhat in recent weeks from their earlier lassitude, total shipments to date are not on pace to meet the previous 50-million-ton forecast. In particular, exports to Canada and Mexico have slowed. With the approaching harvest of a record crop and anticipated lower prices, some outstanding sales could be switched to later delivery, further depressing the current year's export program.



Barley: Ukraine's largest harvest in 10 years is expected to propel the country to become the world's second largest exporter after Australia. Ukrainian barley is expected to dominate the Middle East, a key feed barley market traditionally covered by the EU. Without subsidies, EU exports cannot compete with the cheaper Black Sea supplies.

PRICES:

Domestic: Early August export bids for #2 yellow corn averaged $103/MT, down $2 from July and about the same as last September's price. Slight weather concerns and improved exports have reversed the slide in recent weeks.



Early August export bids for #2 yellow sorghum (Texas Gulf) averaged about $101/MT, up nearly $2 from July but $8 below harvest time prices from September 2003. Sorghum is at a $2 discount to corn, versus nearly a $6 premium last September. Price weakness caused by harvest activities in Texas and rapidly dropping corn prices have been offset to a degree by early-season sorghum exports to Mexico.

TRADE CHANGES IN 2004/2005

Selected Exporters

- **Brazil corn** drops by 300,000 tons to 3.2 million as a smaller winter crop raises prices and reduces competitiveness.

- **Bulgaria, Romania, and Serbia corn** each increases by 200,000 tons based on improved crop prospects.

- **Canada barley** is up 300,000 tons to 2.1 million due to a larger crop.

- **Ukraine barley** expands by 500,000 tons to 2.8 million based on the largest crop in 10 years.

- **EU-25 barley** is lowered by 700,000 tons to 1.8 million in light of stronger competition from Ukraine and the current absence of export subsidies.

Selected Importers

- **South Korea corn** drops by 200,000 tons to 9.1 million on the expectation of higher purchases of feed quality wheat.

- **Russia corn** is raised by 100,000 tons to 600,000 based on higher domestic demand.

TRADE CHANGES IN 2003/2004

Selected Exporters

- **United States corn** falls 1.0 million tons to 49.0 million based on slower-than-expected shipments.

- **Brazil corn** is up 300,000 tons to 5.3 million due to a strong shipment pace in recent months.

- **Thailand corn** increases by 300,000 tons to 900,000 as a result of lower domestic consumption brought on by new cases of Avian Influenza.

- **Kazakhstan barley** is up 200,000 tons to 700,000 based on newly available trade data.

- **Canada rye** is up 50,000 tons to an 8-year high of 150,000 with strong recent shipments to the United States and Japan.

- **Russia rye** is down 100,000 tons to 100,000 due to weak sales pace.

Selected Importers

- **Canada corn** decreases by 200,000 tons to 1.8 million based on a slower-than-expected pace in recent months.

- **Egypt corn** drops by 200,000 tons to 4.0 million because of continued foreign exchange woes.

- **Israel corn** is up 200,000 tons to 1.5 million based on a strong pace.

- **Mexico corn** declines 200,000 tons to 6.1 million due to a weak pace.

- **Japan rye** is up 75,000 tons to 325,000 due to larger-than-expected imports from Canada.

Note: Due to large discrepancies between the timing of reported EU-25 rye exports, and reported South Korean and Japanese imports, revisions were made to the EU-25 export estimates for 2002/03 and 2003/04. The EU-25 number now reflects time of arrival in these countries.